

Entrepreneurship

Quarter 1 – Module 2

Recognize a Potential Market

This instructional material was collaboratively developed and reviewed by educators from public and private schools, colleges, and universities. We encourage teachers and other education stake holders to email there feedback, comments, and recommendations to the Department of Education at action @deped.gov.ph

We value your feedback and recommendations.



What I Need to Know

Welcome to the second module of entrepreneurship. This module will allow you to learn independently the knowledge and skills in recognizing a potential market. It will guide you to identify the market problems to be solved or the market needs to be met; and let you propose solution/s in terms of product/s and service/s that will match the need using techniques on seeking, screening, and seizing opportunities. Also in this module we are going to identify the market problem and propose solutions with regards to products and services, to continue discover the ideal business you are going to offer to your community. Basically, in return to your hard time of selling your product you can generate profit.

In this module, you will know the following:

- Associate the market problem to be solved or the market need to be met;
- Look solution/s in terms of product/s and service/s that will meet the need using techniques on seeking, screening, and seizing opportunities:
- Break down the market need;
- Detect the possible product/s or service/s that will meet the need of your locality.
- Screen the proposed solution/s based on viability, profitability, and customer need in developing a Business Plan.
- Choose the best product or service that will meet the market need.

This is your guidelines on how to develop a Business Plan. By identifying and appealing to particular group of consumers you need to check on the possible product needed in your locality.

Business industries offers products and services. The activity of making, buying, or selling goods or providing services in exchange of money is called *business*. Product is something that is made or grown to be sold or use, or something that is result of a process. Services are those intangible products where there is a skill involve and has a value.

After completing this module, you need to:

- Learn and understand the sources of opportunities for business.
- Determine the essentials in the entrepreneur's opportunity seeking
- Identify market problems and propose potential products or services that will meet the market needs.
- Know the problem in which a business opportunity arises from.
- Identify, screen and proposed solution to meet the problem
- Select the best product or service that will meet the market's need with a consideration of generating profit.



What I Know

Lets check first what you already know.

True or False. On the space provided before the number write **T** if the statement is true and **F** if the statement is false.

- _____ 1. Entrepreneur enter a business because of its profitability.
- _____ 2. New business ideas provide business opportunities.
- _____ 3. Entrepreneurial process starts with identification of entrepreneurial opportunities.
- _____ 4. Not all changes in the external environment provides business opportunities.
- _____ 5. Discovery and advancement in the use of technology are additional good source of business opportunities.
- _____ 6. Interest and hobbies of the people are possible good source of entrepreneurial ideas.
- _____ 7. Industry environment of business is under technological discovery and advacement sources of opportunities.
- _____ 8. The variables in the physical environment include the economic forces.
- _____ 9. Entrepreneurial heart flame refers to the ability of the entrepreneur to sense without using the five senses.

- ____ 10. Entrepreneurial mind frame permits the entrepreneur to see things in a very positive and optimistic light.
- ____ 11. The business operates in the industry environment.
- ____ 12. Opening a Halo – halo business during summer seasons.
- ____ 13. Environmental scanning is conducted only when a new business is opened.
- ____ 14. When the barriers to the competitive forces are high, the effect to the growth of the business is likewise high.
- ____ 15. Entrepreneurs need not observe and evaluate the priorities of the government.



What's In

In the previous lesson, you already know about the difference between businessman and entrepreneur. Knowing all the entrepreneurial concepts will not assure a person of becoming a successful entrepreneur and not all business people are entrepreneurs. Some says being an entrepreneur is a calling; a lot of qualities must be possessed to be considered successful and sustainable. So, if you are given a great opportunity to venture into the field of entrepreneurship, it may be a long process to undertake and the willingness to take a risk. Also, you're not only the one who's in progress but at the same time, you're helping for the development growth of our economy.



What's New

FIX ME

Direction: Arrange the scrambled letters to form a correct word.

- | | | | |
|--------------|-------|----------------|-------|
| 1. UPSIERSPL | _____ | 6. UTSBETIUST | _____ |
| 2. NISSUBES | _____ | 7. ICEVERS | _____ |
| 3. KERTAM | _____ | 8. PECITIONMTO | _____ |
| 4. EDICRRSTO | _____ | 9. IMCLTEA | _____ |

Recognize a Potential Market

5. SUTEMOSRC _____

10. NTERTSAN _____

What is It

Entrepreneurial Ideas



Creation of an entrepreneurial ideas leads to the identification of potential opportunities, which in turn results in the opening of an entrepreneurial venture.

The entrepreneurial process of creating a new venture is presented in the diagram below. (Aduana, 2017)



Figure 1. The Entrepreneurial Process of Creating New Venture

Essentials in Entrepreneur's Opportunity Seeking

These are the basic foundation that the entrepreneur must have in seeking opportunities:

Entrepreneurial mind frame. This allows the entrepreneur to see things in a very positive and optimistic way in the midst of difficult situation. Being a risk - taker, an entrepreneur can find solution when problems arise.

Entrepreneurial heart flame. Entrepreneur's driven passion, they are attracted to discover satisfaction in the act and process of discovery. Passion is the great desire of an entrepreneur to achieve his/her goals.

Entrepreneurial gut game. This refers to the ability of the entrepreneur of being intuitive. This also known as intuition. The gut game also means confidence in one's self and the firm believes that everything you aspire can be reached.

Sources of Opportunities

There are many ways to discover opportunities. Looking at the big picture some have noticed the emerging trends and patterns for business opportunities. While others are trying to find out their target market. Some are the following sources of opportunities:

1. Changes in the environment

Entrepreneurial ideas arise when changes happen in the external environment. A person with an entrepreneurial drive views these changes positively. **External environment** refers to the physical environment, societal environment, and industry environment where the business operates.

1.1 The physical environment includes

- a. Climate- the weather conditions.
- b. Natural resources- such as minerals, forests, water, and fertile land that occur in nature and can be used for economic gain.
- c. Wildlife- includes all mammals, birds, reptiles, fish, etc., that live in the wild.

1.2 The Societal environment includes the various forces like

- a. Political forces- includes all the laws, rules, and regulations that govern business practices as well as the permits, approvals, and licenses necessary to operate the business.
- b. Economic forces- such as income level and employment rate.
- c. Sociocultural forces- customs, lifestyles and values that characterize a society.
- d. Technological environment- New inventions and technology innovations.

1.3 The industry environment of the business includes:

- a. Competitors
- b. Customers
- c. Creditors

- d. Employees
- e. Government
- f. Suppliers

For example, one factor in the physical environment that can easily change is the climate. The temperature is very high during summer but very low during the rainy season. An individual with entrepreneurial drive can be extremely imaginative and inventive in identifying opportunities. He/she can venture a business that responds to the needs of the people during summer and rainy season.

2. Technological discovery and advancement

A person with entrepreneurial interest sees possibility of business opportunities in any new discovery or because of the use of latest technology.

For example, an individual with knowledge in repair and installation of a machine engine discovers that additional engine parts that considerably reduce fuel consumption.

3. Government's thrust, programs, and policies

The priorities, projects, programs, and policies of the government are also good sources of ideas.

For example, the use of firecrackers to celebrate New Year's Eve is strictly prohibited. People without entrepreneurial interest will view the ordinance as a plain restriction. However, for an entrepreneur, it is a business opportunity to come up with a new product that will serve as a substitute for firecrackers.

4. People's interest

The interest, hobbies, and preferences of people are rich source of entrepreneurial ideas. Like the increasing number of Internet Café at present could be lead to the strong attachment of young people to computers.

5. Past experiences

The expertise and skills developed by a person who has worked in a particular field may lead to the opening of related business enterprise.

For example an accountant who has learned the appropriate accounting and management skills and techniques in a prominent accounting firm can start his/her business venture by opening his/her own accounting firm.

Forces of Competition Model

It is also known as the “*five forces of competition*,” An industry environment is a competitive environment. Regardless of what product or services you have, competition is always present.

Competition – it is the act or process of trying to get or win something.

For example, the prices are lower when there is a competition among the stores.

These are the five forces competing within the industry:

- Buyers
- Potential new entrants
- Rivalry among existing firms
- Substitute products
- Supplier

1. Buyers

The *buyers* are the one that pays cash in exchange to your goods and services. For example, the influenced of the price or in the bargaining strategy. The buyer has a strong and magnified bargaining power. The threat of its bargaining power will be less if the following factors notice:

- a. There are several suppliers available in the market.
- b. The buyer has the potential for backward integration.
- c. The cost of switching the supplier cost is minimal.
- d. The product represents a high percentage of the buyer's cost.
- e. The buyer purchases large portions of the seller's product or services.

2. Potential New Entrants

A *new entrant* is defined as the one who enters something. For example, the level of capital requirements, if the business requires huge capital, new entrants should decline to join the business. This gives a threat to the business. This can be noticed if there is the presence of the following factors:

- a. Substantial capital requirement.
- b. Strict government policy.
- c. Difficulty in accessing distribution channels.
- d. Economies of scale.
- e. High cost of product differentiation.
- f. High switching cost

3. Rivalry among Existing Firms

Rivalry is a state or situation in which people or groups are competing with each other. For example it depends on the Marketing strategy of your competitor, like giving freebies and special offers. The intensity of rivalry among existing firms is characterized by the following factors:

- a. Diversity of rivals.
- b. Number of competing firms.
- c. Characteristics of the products or services.
- d. Increased capacity.
- e. Amount of fixed costs.
- f. Rate of industry growth.

4. Substitute Products

Substitute means anything that takes the place or function of another. For example the consumers decide to use margarine as a substitute for butter. In case the price of butter increases, preferably the consumer will gradually switch to margarine.

A substitute product can give a big threat in the industry environment if the following factors are noticed:

- a. Switching cost is low.
- b. Preferences and tastes of the customers easily change.
- c. Product differentiation is highly noticeable
- d. The quality of substitute products dramatically improves.
- e. The price of substitute product is substantially lower.

5. Suppliers

The *Suppliers* are the one that provide something that is needed or wanted. For example if the supply and services being offered is unstable or keep. The intensity of the threat is strong in this kind of the competitive force in the industry. This can be notice if there is the presence of the following factors:

- a. The supplier has the ability for forward integration.
- b. Suppliers in the industry are few, but the sales volume is high.
- c. Substitute products are not readily available in the market
- d. The switching cost is very high.
- e. The product or service is unique.



What's More

WORD HUNT

Think of words or terms related to the topic and find the words in the grid horizontally, vertically, or diagonally. Write the words or terms on the space provided below.

V	E	N	T	U	R	E	A	B	C	D	E	F	A	B	C	D	E	F	S
A	B	N	P	O	H	W	Q	G	S	D	L	O	S	J	E	T	U	E	Q
B	C	T	R	P	R	O	D	U	C	T	S	R	L	R	E	H	R	B	E
C	V	R	E	P	G	O	Y	T	R	E	P	T	G	S	T	V	A	C	N
V	H	E	N	O	V	R	F	D	A	B	C	U	D	E	I	O	G	V	T
H	K	B	E	R	C	T	K	R	F	G	E	N	H	C	J	R	K	H	R
K	I	C	I	T	H	U	L	V	D	E	O	C	E	U	A	T	U	K	E
I	D	V	D	U	K	N	S	J	Y	I	R	Z	O	Q	E	U	Y	I	P
D	G	H	G	N	O	U	A	O	F	G	T	U	X	N	X	N		D	R
G	L	K	L	I	P	W	L	R	E	P	U	R	E	P	O	J	O	G	E
L	H	Z	H	T	S	P	K	L	I	O	N	H	L	I	O	M	E	L	N
H	A	X	Q	I	M	I	L	G	C	V	R	I	V	A	L	R	Y	H	E
A	D	S	J	E	T	U	R	E	A	B	B	S	T	I	T	U	H	A	U
S	S	U	B	S	T	I	T	U	T	E	S	J	E	T	U	R	F	J	R
V	T	U	R	E	A	B	Q	R	S	J	E	T	U	T	U	R	E	A	B

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____



What I have Learned

Definition of Terms

Opportunity seeking - Process of considering, evaluating, and pursuing market based activities that are accepted to be beneficial for the business.

Entrepreneurial process - can be defined as the steps taken in order to begin a new enterprise. It is a step-by-step method, one has to follow to set up a business.

Entrepreneurial ideas - an innovative concept that can be used for financial gain that is usually centered on a product or service that can be offered for money.

Essentials of entrepreneur's opportunity seeking - These are the basic foundation that the entrepreneur must have in seeking opportunities, such as entrepreneurial mind frame, heart flame and gut game.

Sources of opportunity - can be attain by assessing and looking at changes in the environment; technological discovery and advancement; government's thrust, programs, and policies; people's interest, and past experiences.

External environment - refers to the physical environment, societal environment, and industry where the business operates.

Government - refers to the local government (municipality, city, or provincial) or the national government and its branches.

Competition – it is the act or process of trying to get or win something.

Substitute – anything that takes the place or function of another.

New entrants – the one who enters something.

Suppliers – are the one that provide something that is needed or wanted.

Buyers – are the one that pays cash in exchange to your goods and services.

Rivalry – is a state or situation in which people or groups are competing with each other.



What I Can Do

COMPLETE ME

Complete the table below by supplying it with products that you consider similar. Write the product and not the brand in their respective columns. Then describe and differentiate its characteristics and uses.

No.	Primary Product (Product name)	Substitute Product (Product name)
Example	Butter - expensive price used as bread spread.	Margarine – lesser price also used as bread spread
1.		
2.		
3.		
4.		
5.		



Assessment

Direction: Encircle the letter of your choice.

- It is the process of considering, evaluating, and pursuing market-based activities that are believed to be advantageous for the firm.
 - Opportunity seeking
 - Opportunity seizing
 - Opportunity screening
 - Sources of opportunity
- This is essential to opportunity seeking which allows the entrepreneur to see things in a positive and optimistic light in the midst of crisis or difficult situations.
 - Entrepreneurial mind frame
 - Entrepreneurial gut game
 - Entrepreneurial heart flame
 - Entrepreneurial heart frame

3. It is the ability of entrepreneur that can sense without using the five senses, also known as intuition.
- A. Entrepreneurial mind frame C. Entrepreneurial heart flame
B. Entrepreneurial gut game D. Entrepreneurial heart frame
4. One of the essentials of entrepreneur's opportunity seeking that refers to the driven passion of an individual.
- A. Entrepreneurial mind frame C. Entrepreneurial heart flame
B. Entrepreneurial gut game D. Entrepreneurial heart frame
5. What variable of societal environment includes income level and employment rate?
- A. Economic forces C. Political forces
B. Sociocultural forces D. Technological forces

For questions 6 and 7 refer to the following statements:

- A. Preferences and tastes of the customers easily change.
B. The buyer has the potential for backward integration.
C. The cost of switching the supplier cost is minimal.
D. Product differentiation is highly noticeable.
6. Which are the factors of the substitute product that pose a great threat in the industry environment?
- A. A,B,C,D C. A and D
B. A and C D. B and C
7. Which are the factors that influenced the buyer to have a less threats because of the bargaining power?
- A. A only C. A and D
B. A and C D. B and C
8. They are the one that pays cash in exchange to your goods and services.
- A. Buyers C. sellers
B. Competitors D. suppliers

9. The intensity of rivalry among existing firms is characterized to the following factors except one:
- A. Diversity of rivals.
 - B. Number of competing firms.
 - C. Characteristics of the products or services.
 - D. The product represents a high percentage of the buyer's cost.
10. The following are the forces competing within the industry except one:
- A. Potential new entrants and Substitute Products
 - B. Buyers and Suppliers
 - C. Rivalry among existing firms
 - D. Needs and Wants
11. Which of the following good sources of entrepreneurial ideas determine the interest, hobbies and preferences of people.
- A. Changes in the environment
 - B. Technological discovery
 - C. People's interest
 - D. Past experiences
12. Societal environment includes the following, except:
- A. Economic forces
 - B. Sociocultural forces
 - C. Political forces
 - D. Natural resources
13. Which among the following is the result of identifying entrepreneurial opportunities?
- A. Creation of entrepreneurial ideas
 - B. Opening of entrepreneurial venture
 - C. Sources of opportunity
 - D. Entrepreneurial process
14. What entrepreneurial idea will you recognized, if you consider the new discovery and advancement of technology as source of opportunity?
- A. Changes in the environment
 - B. Technological discovery and advancement
 - C. Government's thrust, programs, and policies
 - D. People's interest
15. Source of entrepreneurial idea where expertise and skills developed by a person from its previous work can lead to the opening of a related business enterprise.
- A. Government's thrust, programs, and policies
 - B. Past experiences

C. People's interests

D. Technological discovery and advancement



Additional Activities

Conduct a short interview of any successful entrepreneur in your locality. Ask the following question:

- What is the nature of your business?
- Who are your customers?
- What industry are you operating?
- How much was your starting capital?
- How many years in operation?
- How many manpower involved from the start of operation until now?

